

**FEDERAL FINANCIAL INSTITUTIONS
EXAMINATION COUNCIL**

**Financial Statements for the Years Ended
December 31, 2000 and 1999, and
Independent Auditors' Reports**



INDEPENDENT AUDITORS' REPORT

To the Federal Financial Institutions
Examination Council

We have audited the accompanying balance sheets of the Federal Financial Institutions Examination Council (the Council) as of December 31, 2000 and 1999, and the related statements of revenues and expenses and changes in fund balance, and of cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2001, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

February 20, 2001

Deloitte
Touche
Tohmatsu

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

BALANCE SHEETS

<u>ASSETS</u>	As of December 31,	
	<u>2000</u>	<u>1999</u>
CURRENT ASSETS		
Cash	\$821,155	\$689,393
Accounts receivable from member organizations	507,042	431,539
Other accounts receivable	<u>196,537</u>	<u>317,553</u>
Total current assets	1,524,734	1,438,485
FURNITURE AND EQUIPMENT		
Furniture and equipment, at cost	273,849	273,849
Less accumulated depreciation	<u>261,494</u>	<u>253,624</u>
Net furniture and equipment	<u>12,355</u>	<u>20,225</u>
Total assets	<u><u>\$1,537,089</u></u>	<u><u>\$1,458,710</u></u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities to member organizations	\$743,939	\$495,354
Other accounts payable and accrued liabilities	136,193	131,328
Accrued annual leave	<u>40,104</u>	<u>48,684</u>
Total current liabilities	920,236	675,366
DEFERRED RENT (note 5)	<u>135,572</u>	<u>114,036</u>
FUND BALANCE	<u>481,281</u>	<u>669,308</u>
Total liabilities and fund balance	<u><u>\$1,537,089</u></u>	<u><u>\$1,458,710</u></u>

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

**STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE**

	For the years ended December 31,	
	<u>2000</u>	<u>1999</u>
REVENUES		
Assessments on member organizations	\$1,280,000	\$1,634,000
Tuition	1,811,065	1,657,257
Other revenue (Note 4)	<u>2,993,150</u>	<u>2,809,341</u>
Total revenues	<u>6,084,215</u>	<u>6,100,598</u>
EXPENSES		
Salaries and related benefits	1,419,587	1,339,517
Data processing	3,302,051	2,972,811
Rental of office space	589,821	586,705
Professional fees	270,105	258,375
Books and subscriptions	150,734	8,753
Travel	98,862	101,409
Other seminar expenses	94,916	53,111
Rental and maintenance of office equipment	93,436	77,209
Office and other supplies	70,596	47,001
Printing	69,643	71,738
Administration fees	62,966	62,400
Postage	20,691	15,280
Telephone	15,843	5,481
Depreciation and amortization	7,870	16,154
Miscellaneous	<u>5,121</u>	<u>10,990</u>
Total expenses	<u>6,272,242</u>	<u>5,626,934</u>
REVENUES OVER (UNDER) EXPENSES	(188,027)	473,664
FUND BALANCE, Beginning of year	<u>669,308</u>	<u>195,644</u>
FUND BALANCE, End of year	<u><u>\$481,281</u></u>	<u><u>\$669,308</u></u>

See notes to financial statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	For the years ended December 31,	
	2000	1999
Revenues over (under) expenses	(\$188,027)	\$473,664
Adjustments to reconcile revenues over (under) expenses to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,870	16,154
(Increase) decrease in accounts receivable from member organizations	(75,503)	292,482
(Increase) decrease in other accounts receivable	121,016	(123,104)
(Increase) decrease in prepaid expenses	0	25,319
Increase (decrease) in accounts payable and accrued liabilities to member organizations	248,585	(405,949)
Increase (decrease) in other accounts payable and accrued liabilities	4,865	62,103
Increase (decrease) in accrued annual leave	(8,580)	59
Increase (decrease) in deferred rent	21,536	45,579
Net cash provided by (used in) operating activities	131,762	386,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	0	(16,758)
Net cash used in investing activities	0	(16,758)
NET INCREASE (DECREASE) IN CASH	131,762	369,549
CASH BALANCE, Beginning of year	689,393	319,844
CASH BALANCE, End of year	\$821,155	\$689,393

See notes to financial statements.

**FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

(1) ORGANIZATION AND PURPOSE

The Federal Financial Institutions Examination Council (the "Council") was established under Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The purpose of the Council is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The five agencies which are represented on the Council, referred to hereafter as member organizations, are as follows:

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
National Credit Union Administration
Office of the Comptroller of the Currency
Office of Thrift Supervision

The Appraisal Subcommittee of the Council was created pursuant to Public Law 101-73, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The functions of the Appraisal Subcommittee are related to the certification and licensing of individuals who perform appraisals in connection with federally related real estate transactions. Members of the Appraisal Subcommittee consist of the designees of the heads of those agencies which comprise the Council and the designee of the head of the Department of Housing and Urban Development. Although it is a subcommittee of the Council, the Appraisal Subcommittee maintains separate financial records and administrative processes. The Council's financial statements do not include financial data for the Appraisal Subcommittee other than that presented in note 4.

(2) SIGNIFICANT ACCOUNTING POLICIES

Revenues and Expenses - Assessments made on member organizations for operating expenses and additions to property are calculated based on expected cash needs. Assessments, other revenues, and operating expenses are recorded on the accrual basis of accounting.

Furniture and Equipment - Furniture and equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from four to ten years. Upon the sale or other disposition of a depreciable asset, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

(3) TRANSACTIONS WITH MEMBER ORGANIZATIONS

	2000	1999
The five member organizations are each assessed one-fifth of the expected cash needs based on the annual operating budget. Annual assessment for each member organization was	\$ 256,000	\$ 326,800

The Council provides seminars in the Washington area and at regional locations throughout the country for member organization examiners and other agencies. The Council received tuition payments from member organizations in the amount of	1,699,315	1,526,707
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The Board of Governors of the Federal Reserve System provided administrative support services to the Council at a cost of	62,966	62,400
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Member organizations provided office space, data processing and printing services to the Council. The Council paid member organizations	3,593,793	3,424,234
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The Council coordinates the production and distribution of the Uniform Bank Performance Reports (UBPR) through the Federal Deposit Insurance Corporation (FDIC). The Council is reimbursed for the direct cost of the operating expenses it incurs for this project.

Council employees are paid through the payroll systems of member organizations. Salaries and fringe benefits, including retirement benefit plan contributions disbursed on behalf of the Council are reimbursed in full to these organizations. The Council does not have any post-retirement or post-employment benefit liabilities since Council employees are included in the plans of the member organizations.

Member organizations are not reimbursed for the costs of personnel who serve as Council members and on the various task forces and committees of the Council. The value of these contributed services has not been included in the accompanying financial statements.

(4) OTHER REVENUE

	2000	1999
Home Mortgage Disclosure Act	\$ 1,776,137	\$ 1,645,563
Uniform Bank Performance Report	264,948	267,656
Appraisal Subcommittee	213,537	190,155
Community Reinvestment Act	738,525	705,864
Miscellaneous	3	103
	\$ 2,993,150	\$ 2,809,341

**FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000	1999
<u>Home Mortgage Disclosure Act (HMDA)</u>		
The Council produces and distributes reports under the Home Mortgage Disclosure Act (HMDA). The Council received the following from member organizations	\$ 1,227,613	\$ 1,108,326
The Council received the following from the Department of Housing and Urban Development (HUD) to fund HUD's participation in the HMDA project	350,082	306,584
The Council received the following from the Mortgage Insurance Companies of America for performing HMDA related work for them	168,809	185,741
The balance of the HMDA revenue for 2000 and 1999 was received from sales to the public	29,633	44,912
<u>Uniform Bank Performance Report (UBPR)</u>		
The Council coordinated and provided certain administrative support to the UBPR project. The Council received the following for operating expenses incurred in support of the UBPR project	264,948	267,656
<u>Appraisal Subcommittee</u>		
The Council provided space and certain administrative support to the Appraisal Subcommittee. The Council received the following from the Appraisal Subcommittee for these services	213,537	190,155
<u>Community Reinvestment Act</u>		
In 1995, development work began to prepare an information system to assist financial institutions with certain Community Reinvestment Act (CRA) requirements. The first full year of operations was 1996. The Council received the following from participating member agencies for operating expenses incurred in support of the CRA project	738,525	705,864

**FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

(5) DEFERRED RENT

In 1992 and 1998, the Council entered into leases for office space. These leases contain rent abatements and scheduled rent increases, which, in accordance with accounting principles generally accepted in the United States of America, must be considered in determining the annual rent expense to be recognized by the Council. The deferred rent represents the difference between the actual lease payments and the rent expense recognized.

(6) COMMITMENTS

The Council entered into operating leases to secure office and classroom space for periods ranging from two to ten years. Minimum future rental commitments under those operating leases having an initial or remaining noncancellable lease term in excess of one year at December 31, 2000 are as follows:

2001	\$ 313,281
2002	320,232
2003	330,555
2004	347,624
2005	354,575
After 2005	<u>1,010,269</u>
	<u>\$ 2,676,536</u>

Rental expenses under these operating leases and the operating lease that expired in 1999 were \$532,096 and \$572,210 in 2000 and 1999, respectively.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Federal Financial Institutions
Examination Council

We have audited the financial statements of the Federal Financial Institutions Examination Council (the Council) as of and for the year ended December 31, 2000, and have issued our report thereon dated February 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Council in a separate letter dated February 20, 2001.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members and management of the Council and the Inspector General of the Board of Governors of the Federal Reserve System, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

February 20, 2001

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